

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

BALLARD RURAL TELEPHONE
COOPERATIVE CORPORATION, INC.

PSC CASE NO. 2004-00036

v.

JACKSON PURCHASE ENERGY CORPORATION

Testimony of Richard Sherrill

1 Q1 State your name and business address.

2

3 A1 Richard T. Sherrill

4 2900 Irvin Cobb Blvd.

5 Paducah, KY 42002

6

7 Q2 Where are you employed?

8

9 A2 Jackson Purchase Energy Corporation.

10

11 Q3 In what capacity are you employed by Jackson Purchase?

12

13 A3 I am Vice President of engineering and operations.

14

15 Q4 What are the responsibilities and duties?

1

2 A4 I oversee engineering and construction of all of JPEC's substations and distribution lines.,
3 system maintenance crews and warehouse operations.

4

5 Q5 How long have you been employed as Vice President?

6

7 A5 Three and a half years.

8

9 Q6 How long have you been an employee of the JPEC?

10

11 A6 Three and a half years.

12

13 Q7 In what other capacities have you been employed by JPEC?

14

15 A7 None.

16

17 Q8 Briefly describe your educational background.

18

19 A8 I received a bachelors of science degree in electrical engineering from the university of
20 Arkansas in 1972. I am a registered Professional Engineer in the States of Kentucky,
21 Arkansas and Florida.

22

23 Q9 What geographical area of the Commonwealth does Jackson Purchase serve, and within its
24 service territory approximately how many member/customers are furnished electric current?

25

1 A9 JPEC serves over 27,000 customers in Ballard, Carlisle, Graves, , Marshall, McCracken, and
2 Livingston counties.

3

4 Q10 In your capacity as Vice President, are you familiar with the 1954, General Agreement for
5 Joint Use of Wood Poles, between JPEC and Ballard Rural Telephone?

6

7 A10 Yes.

8

9 Q11 How did the agreement work?

10

11 A11 The Agreement allowed JPEC and Ballard to utilize each others poles to avoid duplication of
12 facilities thus reducing the costs incurred by each to provide service to their customers.. The
13 Agreement was a "joint use" agreement which contemplated that each utility would own a fair
14 and reasonably equivalent percentage of the shared poles. This would result in a minimum
15 amount of annual billings from each to the other.

16

17 Q12 Are you aware of any disagreements between JPEC and Ballard concerning the 1954
18 Agreement prior to this current dispute?

19

20 A12 No.

21

22 Q13 Was the 1954 agreement and its successors, mutual, in that both parties allowed the other to
23 make attachments to their poles?

24

25 A13 Yes.

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Q14 Are you aware of any regulation or other requirement to submit joint pole use agreements to the Public Service Commission?

A14 No.

Q15 To your knowledge, has the PSC ever regulated joint use agreements between utilities concerning pole attachment rates?

A15 No.

Q16 Approximately how many joint use poles does JPEC own that it shares with Ballard, and how many of Ballard's joint use poles have JPEC's attachments?

A16 According to JPEC records, at of the end of 2003, BRTC was on 3,288 of JPEC's poles and JPEC was on 170 of theirs.

Q17 Currently what are JPEC and Ballard's pole attachment rates?

A17 Under the 1954 agreement, as amended in the 1970's, JPEC charges \$3.00 per pole and Ballard charges \$4.00 per pole.

Q18 How long have those current rates been in effect?

A18 Since the early 1970's.

1 Q17 In your opinion does the current rate JPEC charges Ballard for pole attachments reflect
2 modern economic conditions compared to when they were first implemented.

3

4 A17 No.

5

6 Q18 When did JPEC propose new pole attachment rates to Ballard?

7

8 A18 An email was sent in the Fall of 2002, proposing a new rate.

9

10 Q19 Did JPEC attempt to negotiate a settlement where a time frame for introducing the new rates?

11

12 A19 Initially no. On April 19, 2003, JPEC met with Ballard representatives in an attempt to
13 negotiate new rates. They indicated at that time that they would accept an immediate increase
14 to \$8.00 per pole and annual stepped increase over 4 years to the rate being paid by Bell
15 South. After that stepped period, the rates would then be renegotiated for another period of
16 time. BRTC was adamant that they would not accept the escalation clause being proposed
17 by JPEC. BRTC also requested some minor language changes to the proposed contract
18 document itself. In August, 2003, JPEC accepted BRTC's offer, prepared a revised contract
19 document and, on August 18, 2003, forwarded appropriate documents to BRTC. Nothing
20 further was heard from BRTC until this claim was introduced against us.

21

22 Q20 Are you familiar with the CATV tariff rates used for cable television pole attachments?

23

24 A20 Yes.

25

1 Q21 Are you aware of any requirement that the methodology for establishing CATV rates needs
2 to be used to regulate joint use agreement rates?

3

4 A21 No.

5

6 Q22 Can the new rates proposed by JPEC for Ballard be cost justified?

7

8 A22 Yes

9

10 Q23 What economic factors can be used to cost justify the new rates?

11

12 A23 The embedded cost of the pole facilities being occupied by the joint user, the annual carrying
13 costs associated with maintaining these pole facilities which include depreciation, interest
14 expense, operations and maintenance items, customer service expenses related to the joint
15 users, and administrative and overhead expenses of JPEC in general. In addition, there is an
16 avoided cost component that arises when there is a significant deviation from the ownership
17 percentages anticipated in a joint use relationship. Finally, there are other, more subjective
18 costs that arise when the ownership percentage gets skewed too far. Examples of these would
19 be additional emergency replacements of poles destroyed by accidents, increasing burden on
20 one entity to maintain records of the others pole use, and return trips to remove old poles after
21 the joint user has transferred its facilities.

22

23

24 Q24 Do you feel these new rates are excessive?

25

1 A24 No.

2

3 Q25 Does this conclude your testimony?

4

5 A25 Yes.

6

7

The undersigned has examined the foregoing direct testimony and states that it is true and correct.

Richard T. Sherrill

STATE OF KENTUCKY)

COUNTY OF McCRACKEN)

The foregoing instrument was acknowledged before me this 4 day of April, 2004, by Richard T. Sherrill, Vice President of engineering and operations of Jackson Purchase Energy Corporation.

My commission expires 7-8-2004

Kaye Buchanan
Notary Public, State at Large



Respectfully submitted,

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By Walter R. Luttrull, III
Walter R. Luttrull, III
W. David Denton

ATTORNEYS FOR JACKSON PURCHASE ENERGY CORPORATION

I hereby certify that 10 copies
of the foregoing were filed with the
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mailing via Federal Express to:

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True and correct copies of the
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on this 6 day of April, 2004.


Walter R. Luttrull, III

CC: Kelly Nuckols,
Jackson Purchase Energy Corporation